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BEFORE THE ARIZONACCORPORATION COMMISSION

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2	COMMISSIONERS MIKE GLEASON – Chairman 2007 NOV – 6	Arizona Corporation Commission DOCKETED
4	WILLIAM A. MUNDELL JEFF HATCH-MILLER KRISTIN K. MAYES GARY PIERCE AZ CORP COMM DOCKET CONT	
5	GARY PIERCE	DOCKETED
6		ne
7	ARIZONA WATER COMPANY, an Arizona) DOCKET NO. W-01445A-06-0200
8	corporation, Complainant,) SW-20445A-06-0200) W-20446A-06-0200
9	vs.) W-03576A-06-0200) SW-03575A-06-0200
10) RESPONSE TO
11	GLOBAL WATER RESOURCES, LLC, a foreign limited liability company; GLOBAL WATER) AWC'S RENEWED MOTION TO
12	RESOURCES, INC., a Delaware corporation; GLOBAL WATER MANAGEMENT, LLC, a) COMPEL AND MOTION FOR A) PROTECTIVE ORDER
13	foreign limited liability company; SANTA CRUZ WATER COMPANY, LLC, an Arizona limited) AND RESPONSE TO
14	liability corporation; PALO VERDE UTILITIES	AWC'S SUPPLEMENT TO ITS
15	COMPANY, LLC, an Arizona limited liability corporation; GLOBAL WATER – SANTA CRUZ) RENEWED MOTION TO) COMPEL
16	WATER COMPANY, an Arizona corporation; GLOBAL WATER – PALO VERDE UTILITIES) AND
17	COMPANY, an Arizona corporation; JOHN AND	CROSS-MOTION TO COMPEL
18	JANE DOES 1-20; ABC ENTITIES I – XX,) (expedited ruling requested)
19	Respondents.	(Procedural conference November
20) 20, 2007)
21		_)

On October 25, 2007 Arizona Water Company ("AWC") filed a renewed motion to compel and motion for protective order. On October 31, 2007, AWC filed a supplement to this motion. Respondents (collectively "Global") respectfully respond in opposition to AWC's motion. The parties have been able to resolve many of the issues raised in AWC's motion. This response documents the extent to which these issues have been resolved, and responds to the remaining

open issues. Before AWC's motion was filed, Global provided more than 50,000 pages of

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documents to AWC, and also allowed AWC to conduct a 7 day audit of Global's financial records at Global's offices (an 8th day is scheduled). Respondents also move that AWC be compelled to allow an on-site review of the financial and accounting records of AWC and its affiliates similar to the on-site review conducted by AWC at Global's offices.

I. AWC's motion to compel should be denied because Global has provided all requested items.

A. Global provided massive amounts of data prior AWC's motion.

AWC's motion implies that Global has been sitting on its hands in response to the ALJ's rulings at the August 14, 2007 procedural conference. Nothing could be further from the truth. In fact, Global produced more than 50,000 pages of documents to AWC before AWC's motion was filed. In contrast, AWC has produced 80 pages to Global. A chronology showing the documents provided by Global after August 14 is attached as Exhibit A.

During the August 14 conference, Global noted that providing the materials requested by AWC would require a massive, difficult and time-consuming effort. That proved to be the case. Yet now AWC complains that Global's responses did not arrive quickly and involved too many documents. This should be no surprise to anyone who attended the August 14 conference. AWC received exactly what it asked for. It should not now be heard to complain.

Again, the effort involved was substantial. After August 14, Global spent hundreds of hours of staff time to comply with AWC's requests, and also incurred substantial expenses with outside vendors to assist with the extraordinary compilation effort required. For example, to provide AWC with the emails it requested, Global first had to locate potentially relevant emails. Tens of thousands of emails were located. Global then had to purchase specialized software to scan these emails and their attachments for information related to AWC's requests. Global's staff then had to be trained on this new software. After the software narrowed the number of emails, tens of thousands of pages of documents remained. These documents then had to be manually reviewed to ensure that they were responsive to AWC's request. Once this was accomplished,

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Global had to work with an electronic discovery vendor to prepare the documents for disclosure and to add bates numbers to the documents. Global has never been through a similar process.

During this same time, Global also allowed AWC to conduct an in-person review at Global's offices of Global's accounting and financial records. This amounted to an on-site audit, which AWC's accountants conducted on the following dates:

- 1) June 14, 2007
- 2) June 21, 2007
- 3) July 12, 2007
- July 23, 2007 4)
- July 27, 2007 5)
- September 26, 2007 6)
- 7) September 28, 2007

In addition, Global and AWC have scheduled an 8th day on October 10, 2007 to review 2004 financial data, which AWC's accountants had not previously requested. The reviews in September and October included access to the non-utility Global entities. Global also provided AWC with various documents specified by AWC's accountants. This 8-day on-site audit by a competitor is truly extraordinary. Also during the same time, and at AWC's request, Global specially prepared a lengthy and detailed "white paper" explaining the economics of water recycling.

The procedural conference was August 14, and the protective order was issued August 23. However, AWC did not submit its "Exhibit A" and "Exhibit B" forms required by the protective order until September 19, nearly a month later. (Global and Staff submitted their forms much earlier). As can be seen from the on-site audit dates above, and the discovery chronology (Exhibit A), AWC began to receive a large volume of material shortly after it submitted the exhibits. AWC's inexplicable delay in submitting the protective order exhibits impeded most discovery for nearly a month. Thus, AWC should not be heard to complain about delays.

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Global has provided all the required information. В.

AWC's motion was notably short on specifics as to what, exactly, it wanted. Moreover, AWC did not meet and confer with opposing counsel. Accordingly, the same day AWC filed its motion, Global sent AWC a letter requesting a meeting to discuss and clarify the issues. That letter is attached as Exhibit B. The parties met on October 30 to review matters. During this meeting, counsel for AWC passed out a list, which for the first time specified what documents AWC wanted. This list is attached as Exhibit C. Notably, the list contained several items that AWC had not previously requested (e.g. 2007 quarterly financials). Counsel for Global and AWC spoke telephonically on November 1, and all parties had conference calls on November 2 and November 5. Global also sent AWC a letter on November 2 (Exhibit D) and AWC responded on November 5 (Exhibit E). As a result of this process, and substantial additional efforts by Global, the issues raised by AWC have been substantially narrowed.

A response to each item on AWC's list follows:

- Jorde Hacienda ICFA. This ICFA was provided to AWC on October 30. Global 1. believes that this issue is resolved.
- 2. Copies of Agreements Numbers 1, 2, 9 and 13. Agreements 9 and 13 were provided to AWC on October 31. Global does not have copies of Agreements 1 and 2. Global was not a party to those agreements, and they were signed substantially before Global Water Resources was formed. Global is not entitled to any funds under these agreements. Global believes that this issue is resolved.
- 3. Paper files related to certain ICFAs. Global provided AWC with more than 14,000 pages of ICFA files on October 2. Additional paper files relating to the ICFAs identified by AWC were provided to AWC on October 31. Global believes that this issue is resolved.
- 4. Emails relating to certain ICFAs. All ICFA emails with developers were provided to AWC on October 19 and October 22. Global believes that this issue is resolved.

¹ The description of these agreements is based on the recollection of Ms. Liles.

5. Accounting of funds received from ICFAs. The relevant schedule was provided to AWC on October 31. Global believes that this issue is resolved.

6. Format of emails. Global provided the requested emails (and attachments) in PDF format on CDs. This complies with AWC's request for a copy of these emails. Previously Global provided AWC with copies of documents in PDF format when the volume of material was large, and received no objection. See Bates Nos. GW(06-0200)001818 to GW(06-0200)015870 (paper files relating to ICFAs). In addition, copies of the ICFA agreements were provided to AWC in PDF format without objection. Thus, PDF format has been established as an acceptable means providing copies of documents. Moreover, the "professional" version of Adobe Acrobat (the PDF program) provides a convenient means to Bates number documents.

AWC apparently now desires the "metadata" associated with the emails. AWC's data request does not mention metadata. We are not aware of the Commission ever requiring the submittal of metadata. In addition, metadata may contain confidential information. Further, metadata simply has no relevance. During the August 14 procedural conference, when asked about the value of the emails, AWC's counsel responded that reviewing the emails was necessary to "vigorously test the credibility of Ms. Liles' assertion" that Global does not solicit landowners to sign ICFAs. AWC can see exactly what Global said to developers in emails. Email "metadata" has no relevance to that inquiry. Moreover, AWC's demand for original, unaltered electronic copies is inconsistent with its demand that all documents be Bates numbered.

In addition, the "solicitation" claim raised by AWC is at best a side issue in this case – AWC's main challenges are to the ICFAs and to Global's corporate structure. AWC has never provided any facts or evidence to support its claim of solicitation, either in its complaint or direct testimony, other than the uncorroborated, bare allegations of the complaint.

In sum, Global complied with AWC's request by providing PDF copies of the emails (and attachments). Such PDF copies are an accepted method of producing documents in this case, and this method is also commonly used in other cases before the Commission. The so-called

² August 14, 2007 Tr. at 34:21.

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"metadata" requested by AWC has no relevance to the issues in this case, and there is no Commission precedent for disclosure of such metadata.

- 7. Accounting for ownership interests. Global did not have a document responsive to AWC data request 1.26. However, in an effort to accommodate AWC's requests, Global specially prepared a report to answer this request. That report was provided to AWC on October 31. The remaining data requests (1.50, 15.1, and 1.100) have been complied with by allowing the on-site inspection described above. Global believes that this issue is resolved.
- 8. Access to 2004 records. During the meet-and-confer on October 30, AWC's accountants flatly stated that they did not request the 2004 accounting and financial records during their on-site review. Nor were the 2004 records explicitly mentioned in AWC's motion. AWC first specifically requested these records during the meeting on October 30. On November 1, Global advised AWC that Global will allow an on-site inspection of these records in the same manner as the 2005 and 2006 records were inspected. An inspection has been scheduled for November 7. Global believes that this issue has been resolved. AWC has yet to allow a similar inspection of its records for any year.
- 9. AWC data requests 1.103 and 1.104. Global does not have a document that fits the description given in these requests. Global believes that this issue has been resolved.
- 10 12. These items involve the agreement with Global Water Management, LLC ("GWM") and intercompany note between Global Water Resources, LLC and Global Water, Inc. The GWM agreement and the intercompany note have not been finalized and have not been executed. Global will provide a copy when these documents are finalized. Global believes that this issue has been resolved.
- *13*. Review of Board Minutes requested in STF 3.2. Global made the minute books requested in STF 3.2 available for inspection at the offices of Burch & Cracchiolo, P.A. on Friday, November 2. AWC first requested access to the minutes in an email the previous week. Global believes that this issue is resolved.

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	14.	Responses to	AWC 's 5^t	n set of data	requests.'	Thes	e responses wer	e not due	e until
Nove	mber 5,	out Global pro	ovided ther	n to AWC	on October	30. (Global believes	that this	issue is
resolv	red.								
		***		. 10	a			4 .	

2007 Quarterly Financial Statements. Global and AWC have agreed to exchange *15*. these statements. Global believes that this issue is resolved.

AWC's motion for protective order is moot. II.

AWC asked for a protective order against Global's 4th set of data requests. AWC has not answered these requests, although responses were due on October 29. These data requests were all relevant to either this docket or the companion CC&N docket. Global agreed to defer the questions relating to the CC&N docket³ until this case is resolved. The remaining data requests directly relate to this case, and almost all of them ask questions about specific quotes from AWC's direct testimony. AWC claims that it cannot work on testimony and also respond to the data requests. It is very common for parties to Commission proceedings to work on testimony and data requests at the same time, and on a very compressed schedule (for example, the latter rounds of testimony in a rate case). However, in an effort to accommodate AWC, Global has agreed to defer AWC's answers until after AWC files its supplemental direct testimony in this case. AWC and Global have agreed to the following dates:

AWC objections, if any, to the remaining questions in the 4th set: December 7 AWC responses to the remaining questions in the 4th set: December 14 Based on this agreement, Global's believes that this issue has been resolved.

III. **Cross-Motion to Compel.**

During the August 14 procedural conference, Judge Nodes granted Global's cross-motion to compel regarding the following data requests: Global 1.53, 1.55, and 1.71, and 3.2.4 Global 1.53 and 3.2 asked for financial statements, and on September 20, AWC provided Global with 72

³ Global Data requests 4.1, 4.2, 4.3, 4.6, 4.7, 4.8, 4.13, 4.18, 4.20, 4.21, 4.26, 4.27 to 4.34, 4.37, and 4.38.

⁴ August 14, 2007 Tr. at 83-84, 90.

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pages of financial statements.⁵ AWC also provided a one-page response to Global 1.71.⁶ AWC has not provided any additional response to Global 1.55 since August 14. AWC had provided a one-sentence response back in 2006, but that response was inadequate, and as evidenced by the ALJ's granting of the motion to compel regarding that question on August 14, 2007.

Global 1.55 requested that AWC "indicate the sources of equity available to AWC." Similar questions about equity directed to Global were resolved by AWC's on-site audit at Global's offices. Thus, Global should be permitted to conduct a similar audit at AWC's offices regarding the financial and accounting records of AWC and its affiliates.

AWC claims that it is not obligated to provide "reciprocal" discovery to Global when Global provides information to AWC, and it states that "Judge Nodes has not ordered such "reciprocal" discovery." However, Judge Nodes ruled that, regarding financial data, "it seems to me equally fair, subject to an appropriate protective order, that Arizona Water would be subject to the same type of discovery" as Global is subject to. 8 This ruling recognized that discovery is a two way street. In fairness, Global should be permitted the same type of inspection that AWC was able to conduct. Moreover, such an inspection is the most practical way for AWC to comply with Global 1.55.

IV. Conclusion.

Global has provided copies massive number of documents to AWC, including all documents specifically requested by AWC. Global is not obligated to provide "metadata" relating to emails. AWC's motion for a protective order is now moot. Global's cross-motion to compel seeks the very same process that Global provided to AWC, at AWC's own request. AWC should not be able to "have it both ways," and the cross-motion should be granted.

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⁶ AWC/GLOBAL000001.

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⁵ AWC/GLOBAL000002 to AWC/GLOBAL000073.

November 5, 2007 Letter from Rodney W. Ott, Esq. at 3 (attached as Exhibit E).

August 14, 2007 Tr. at 83:18-20.

RESPECTFULLY SUBMITTED this 6th day of November 2007. 1 ROSHKA DEWULF & PATTEN, PLC 2 3 4 5 Michael W. Patten Timothy J. Sabo 6 One Arizona Center 7 400 East Van Buren Street, Suite 800 Phoenix, Arizona 85004 8 Attorneys for Global 9 10 Original and 21 copies of the foregoing 11 filed this 6th day of November 2007 with: 12 Docket Control Arizona Corporation Commission 13 1200 West Washington Street Phoenix, Arizona 85007 14 Copy of the foregoing hand-delivered/mailed 15 this 6th day of November 2007 to: 16 Dwight D. Nodes, Esq. Assistant Chief Administrative Law Judge 17 **Hearing Division** Arizona Corporation Commission 18 1200 West Washington Phoenix, Arizona 85007 19 Christopher C. Kempley, Esq. 20 Chief Counsel, Legal Division Arizona Corporation Commission 21 1200 West Washington Phoenix, Arizona 85007 22 Ernest G. Johnson, Esq. 23 Director, Utilities Division Arizona Corporation Commission 24 1200 West Washington Phoenix, Arizona 85007 25 Robert W. Geake, Esq. 26 Arizona Water Company

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2	Rodney W. Ott, Esq. Bryan Cave LLP
3	Two North Central Avenue, Suite 2200 Phoenix, Arizona 85004
4	Mayor Chuck Walton
5	City of Casa Grande 510 Florence Blvd.
6	Casa Grande, AZ 85222
7	By May Spolety
8	
9	
10	
11	

EXHIBIT

"A"

Chronology of Discovery Provided to Arizona Water Company (after August 14, 2007)

DATE	BATES NUMBERS	DESCRIPTION
9-06-07	N/A	Updated list of Infrastructure Coordination and
		Financing Agreements (ICFAs); Updated CD
		with electronic copies of all executed ICFAs
		(with one exception); paper copy ICFA not
		included in the CD; Global's white paper on
		the economics of water reclamation
9-12-07	N/A	AWC Data Requests 2.12 and 2.13 – all
		"acquisition schedules"
9-17-07	N/A	Hydrological Reports ready to be provided
		after receipt of "Exhibit A" and "Exhibit B"
		forms from AWC
9-26-07	GW(06-0200)000001 -	Hydrological Reports – Confidential –
2001	001680	Response to AWC 1.41
9-26-07	GW(06-0200)001681 -	Responses to Staff's Data Requests (Financial
J-20-07	001817	Statements)(Highly Confidential, in part)
10-02-07	GW(06-0200)001818 –	ICFA files (Confidential, in part)
10-02-07	015870	icra mes (confidential, in part)
10-16-07	GW(06-0200)015871 –	Documents requested by Mr. Harris from Ms.
10-10-07	015907	Liles during his visit to Global's offices
	013907	1
10 10 07	CW(06, 0200)015000	(Highly Confidential)
10-19-07	GW(06-0200)015908 -	Emails – CD 1 (Confidential)
10 10 07	032403	
10-19-07	GW(06-0200)032404 -	Emails – CD 2 (Confidential)
10.00.07	048048	
10-22-07	GW(06-0200)048049 -	Emails – CD 3 (Confidential)
10.55.05	050104	a contha
10-22-07	GW(06-0200)050105 -	Responses to Staff's 4 th Set of Data Requests –
	050115	
10-24-07	GW(06-0200)050116 -	Security Agreements and related debt
	050586	documents of GWR (Highly Confidential)
10-24-07	GW(06-0200)050587 –	Copies of the unexecuted "Stanfield" ICFAs
	050932	
10-30-07	GW(06-0200)050933-	Global's Responses to AWC's 5 th Set of Data
	GW(06-0200)050950	Requests
10-31-07	GW(06-0200)050951	Several agreements; paper files related to
	GW(06-0200)051136	several agreements; schedule of ICFA fees
		received; report re: equity transfers in last 5
		years, most recent acquisition schedule
		(Highly Confidential, in part)
11-01-07	(not bates labled)	CD of Electronic Excel Version of Liles
	(Exhibits 4, 5, 6
11-01-07	GW(06-0200)051137	Global's Responses to Staff's 6 th Set of Data
	GW(06-0200)051141	Requests
11-01-07	GW(06-0200)051142	Global's Responses to Staff's 5 th Set of Data
11-01-07	3 11 (00-0200)031142	Requests
	I	Toquesis

EXHIBIT

"B"

ROSHKA DEWULF & PATTEN

ROSHKA DEWULF & PATTEN, PLC ATTORNEYS AT LAW ONE ARIZONA CENTER 400 EAST VAN BUREN STREET SUITE 800 PHOENIX, ARIZONA 85004 TELEPHONE NO 602-256-6100 FACSIMILE 602-256-6800

October 25, 2007

VIA EMAIL AND U.S. MAIL

Steven A. Hirsch, Esq. Rodney W. Ott, Esq. Bryan Cave LLP One Renaissance Square Two North Central Avenue, Suite 2200 Phoenix, Arizona 85004

Re: Respondents' Discovery Responses

Docket No. W-01445A-06-0200 et al.

Dear Steve and Rodney:

I was disappointed to receive your Renewed Motion to Compel, Motion for Protection Order and Request for Accelerated Hearing of Same today. As you know, under Ariz.R.Civ.P. 26(g) you are required to personally consult and make good faith efforts to resolve discovery disputes before you file such discovery motions. You did not make that effort. Further, meeting about these issues, as a practical matter, would have better met your purported goals of expediting the process and not burdening the docket. Finally, I would have expected a phone call as a matter of professional courtesy before you filed an eleven page discovery pleading.*

The parties and the Commission are still better served by our meeting to clarify and trying to resolve these issues before we involve Administrative Law Judge Nodes. Suffice it to say I take issue with the assertions in the Motions, to the extent I understand them. We have provided you tens of thousands of pages of documents in response to your data requests and allowed Arizona Water personnel extensive access to Global Water financial records. But I do think a meeting would be helpful to determine what discovery issues are truly at issue.

^{*} Moreover, as you should recall, at the August 14, 2007 hearing Administrative Law Judge Nodes indicated he would make himself available for informal resolution of discovery issues.

ROSHKA DEWULF & PATTEN

Steven A. Hirsch, Esq. Rodney W. Ott, Esq. October 25, 2007 Page 2

I will call you to set up a meeting. Thank you for your attention to these matters.

Very truly yours,

JED/vlc

Maureen Scott, Esq. Robert W. Geake, Esq. cc:

EXHIBIT

"C"

ARIZONA WATER COMPANY/GLOBAL

MISSING INFORMATION AND DOCUMENTS

1.	Copy of Missing	Stanfield ICFA, No.	96, Vistoso Partners/	Jorde Hacienda.
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- 2. Copies of 4 Missing "No File" ICFAs, Nos. 1, 2, 9 and 13. Were monies collected under these ICFAs? Was service provided? How and why is it that no files exist?
- 3. All files on Stanfield and "No file" ICFAs
- 4. All emails on Stanfield and "No file" ICFAs
- 5. Particularized financial accounting for each ICFA, as requested in AWC 1.7, 1.101. Cindy Liles has acknowledged that spreadsheets providing such an accounting exist, but they have not been produced.
- 6. Email with Landowners and Cities -- Alteration of format, rendering the emails unsearchable and prolonging review.
- 7. Accounting for Global's ownership interests requested in AWC 1.26, 1.50, 1.51, 1.100. We have received an unsworn oral description of these matters from Cindy Liles, but no documents and nothing in writing.
- 8. Descriptive list of capital transactions --AWC 1.102 We have been given access back to 2005, but not 2004 and earlier.
- 9. Economics of development infrastructure, and financing of those particular amounts as requested in AWC 1.103, 1.104.

- 10. Internal contracts between/among the Global entities. Explain contradictions between response to STF 2.10 and audited financial statements, and produce all such contracts between affiliates.
- 11. Copies of long term notes receivable between Global affiliates, as requested in October 16, 2007 letter. Falls within AWC 1.26, 1.50, 1.51, 1.100.
- 12. Explanation of reclassification of Global parent's investment in subsidiaries as a note receivable, as requested in Oct. 16, 2007 letter. Falls within AWC 1.26, 1.50, 1.51, 1.100.
- 13. Explanation and details of acquisition of Hassayampa Utility Company, as requested in Oct. 16, 2007 letter.
- 14. Requested Review of board minutes.
- 15. Arizona Water Company's Fifth Set of data requests, served last week, Oct. 23. Response due on November 5, 2007.
- 16. Most recent quarterly financial statements, including 2007.

EXHIBIT

"D"

ROSHKA DEWULF & PATTEN

ROSHKA DEWULF & PATTEN, PLC ATTORNEYS AT LAW ONE ARIZONA CENTER 400 EAST VAN BUREN STREET SUITE 800 PHOENIX, ARIZONA 85004 TELEPHONE NO 602-256-6100 FACSIMILE 602-256-6800

November 2, 2007

Via electronic and regular mail

Steven Hirsch, Esq.
Rodney W. Ott, Esq.
Bryan Cave LLP
One Renaissance Square
Two North Central Avenue, Suite 2200
Phoenix, Arizona 85004

Re: Discovery Issues

Arizona Water Company v. Global Water Resources, LLC et al.

Docket No. W-01445A-06-0200 et al.

Gentlemen:

This letter will provide an overview of the status of various discovery matters. On August 14, 2007, Judge Nodes made various rulings on pending discovery motions, and ordered Arizona Water Company ("AWC") and Respondents (collectively, "Global") to produce various documents to each other. From August 14 to October 25, Global allowed AWC to conduct a lengthy, on-site review of its accounting and financial records, spanning several days. In addition, during that time period, Global produced more than 50,000 pages of documents to AWC. In comparison, during that same time, AWC produced a few hundred pages, at best, to Global.

On October 25, Arizona Water Company ("AWC") filed a Motion to Compel and Motion for Protective Order. That same day, we responded with a letter which noted that the required meet-and-confer process had not happened. This letter therefore requested a meeting to confer about discovery issues. On October 30, counsel for Global, AWC and Staff met to discuss the situation. The next day, we called in an attempt to provide an update, but were only able to leave a voicemail. However, that same day, you filed a "Supplement" to your motion to compel, purporting to update the Commission on the discussions to date. We subsequently spoke to Mr. Ott on November 1 to provide an update. This letter will memorialize the items we discussed.

During the meeting on October 30, you provided a list of items that you wanted, several of which you had never previously requested. The following provides an update regarding each of these matters:

Steve Hirsch, Esq. Rodney W. Ott, Esq. November 2, 2007 Page 2 of 4

- 1. Jorde Hacienda ICFA. This unsigned ICFA was provided to AWC on October 30.
- 2. Copies of Agreements Numbers 1,2,9 and 13 (numbering from our list). Agreements 9 and 13 were provided to AWC on Ocober 30. Global does not have copies of Agreements 1 and 2. Global was not a party to those agreements, and they were signed well before Global Water Resources was formed.
- 3. Paper files related to certain ICFAs. Global provided AWC with more than 14,000 pages of ICFA files on October 2. Additional paper files relating to the ICFAs you identified were provided to AWC on October 31.
- 4. Emails relating to certain ICFAs. All ICFA emails with developers were provided to AWC on October 19 and October 22.
- 5. Accounting of funds received from ICFAs. The relevant schedule was provided to AWC on October 30.
- 6. Format of emails. Global provided the requested emails in PDF format. This complies with AWC's request for a copy of these emails. Note that previously Global provided AWC with copies of documents in PDF format when the volume of material was large, and received no objection. See Bates Nos. GW(06-0200)001818 to GW(06-0200)015870.
- 7. Accounting for ownership interests. Global did not have a document responsive to AWC data request 1.26. However, in an effort to accommodate your requests, Global specially prepared a report to answer this request. That report was provided to AWC on October 30. The remaining data requests (1.50, 15.1, and 1.100) have been complied with by allowing the on-site inspection described above.
- 8. Access to 2004 records. During the on-site inspection, AWC's accountants did not request access to 2004 accounting and financial records. AWC first requested these records during the meeting on October 30. On November 1, we advised you that Global will allow an on-site inspection of these records in the same manner as the 2005 and 2006 records were inspected. We asked that you have Joe Harris call Cindy Liles to schedule a time to conduct this inspection. AWC has yet to allow a similar inspection of its records for any year. Judge Nodes has been clear that discovery obligations are reciprocal. Accordingly, we must insist that AWC allows such an inspection forthwith.

Steve Hirsch, Esq. Rodney W. Ott, Esq. November 2, 2007 Page 3 of 4

9. AWC data requests 1.103 and 1.104. Global does not have a document that fits the description given in these requests.

Items

- 10. 11. 12. These items involve the agreement with Global Water Management, LLC ("GWM") and intercompany note between Global Water Resources, LLC and Global Water, Inc. The GWM agreement and the intercompany note have not been finalized and have not been executed. Global will provide a copy when these documents are finalized.
- 13. Review of Board Minutes requested in STF 3.2. The minute books requested in STF 3.2 are available for inspection at the offices of Burch & Cracchiolo, P.A. We understand that you have scheduled this inspection for 2 p.m. today.
- 14. Responses to AWC's 5th set of data requests. These responses were not due until November 5, but we provided them to AWC on October 30.
- 15. 2007 Quarterly Financial Statements. This was requested for the first time on October 30, 2007. We are evaluating your request.

As described above, we believe that Global has complied with all outstanding data requests. Please advise us as soon as possible if you believe that there are additional documents Global should provide to AWC. In addition, to the extent there are any further discovery disputes, we encourage you to contact us, so that we can meet and confer to attempt to resolve any such disputes. Discovery motions should be a last resort.

AWC must also honor its outstanding discovery obligations. First, AWC has still not provided responses to data requests 1.55 and 1.71. Second, AWC must allow an on-site inspection of the accounting and financial records of AWC and its affiliates. Third, AWC must provide a response to Global's 4th set of data requests. Responses to these data requests were due on October 29, in accordance with the customary 10 day response time. Global has agreed to defer responses to the following data requests until the CC&N case (06-0199): 4.1, 4.2, 4.3, 4.6, 4.7, 4.8, 4.13, 4.18, 4.20, 4.21, 4.26, 4.27, 4.28, 4.29, 4.30, 4.31, 4.32, 4.33, 4.34, 4.37, 4.38. AWC must provide the responses to the remaining data requests forthwith.

ROSHKA DEWULF & PATTEN

Steve Hirsch, Esq. Rodney W. Ott, Esq. November 2, 2007 Page 4 of 4

Please let us know if you have any questions about this letter.

Very truly yours,

John E. DeW Timothy J. Sabo For the firm

JED:TJS:da

Robert W. Geake, Esq.

Maureen Scott, Esq.

Ms. Linda Jaress

EXHIBIT

"E"



Rodney W. Ott Counsel Direct: 602-364-7407 rwott@bryancave.com

By Email and Regular Mail

November 5, 2007

John DeWulf Timothy J. Sabo Roshka DeWulf & Patten, PLC One Arizona Center 400 E. Van Buren St., Suite 800 Phoenix, AZ 85004-2262

Re: Arizona Water Company v. Global Water Resources, et al.,
Docket Nos. W-01445A-06-0199 et al. and W-01445A-06-0200, et al.

Dear John and Tim:

We are writing in response to your letter of November 2, 2007 on discovery issues that have arisen in this matter. It is clear that our perspective on the status of discovery and disclosure by Respondents (collectively, "Global") differs.

While Global did produce some materials and information last week, that disclosure followed two motions to compel by Arizona Water Company and the August 14, 2007 order by ALJ Nodes that Global produce the relevant materials. Arizona Water Company first requested these materials in data requests served thirteen months ago, on October 3, 2006. There then followed numerous letters and emails from Arizona Water Company, telephone conversations, and personal meetings at the Commission and Global's offices. To claim that "the required meet-and-confer process had not happened" is simply incorrect.

We will respond individually to your "update" on the matters discussed during our October 30 meeting:

1. ICFA No. 96 (Jorde Hacienda). Global's ICFAs are central to the matters alleged in the formal complaint, and Arizona Water Company requested copies of all ICFAs back on October 3, 2006. Global engaged in a lengthy pattern of delay and obfuscation about the existence and number of ICFAs, and finally produced the Jorde Hacienda ICFA on October 31, 2007 (not October 30) — after

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requiring Arizona Water Company to file two motions to compel and eleven weeks after ALJ Nodes ordered Global to produce all ICFAs. Moreover, your statement that the Jorde Hacienda ICFA is "unsigned" is flatly incorrect – the ICFA is in fact signed by both Global and the landowner. See GW(06-0200)050989.

- 2. Global initially asserted that the files on four early ICFAs (Nos. 1, 2, 9 and 13) were "missing." After Arizona Water Company filed its second motion to compel, Global produced fragmentary paper files on two ICFAs (9 and 13), for which Global had previously said that the files were missing. For the remaining two ICFAs (Nos. 1 and 2), Global's assertions about the signature dates undercut Global's claim that the files are missing. Moreover, Global apparently still claims that it stands in the shoes of Phoenix Capital Partners related to these ICFAs even though Global has no information about the terms of the agreements.
- 3. Global finally disclosed fragmentary paper files related to the so-called Stanfield and "missing" ICFAs only after Arizona Water Company was forced to file its second motion to compel.
- 4. Global has contended that all emails to and from developers were produced in the PDF files on October 19 and the morning of October 23, but Arizona Water Company has yet to ascertain whether any of those emails relate to the Stanfield ICFAs. Thus, Arizona Water Company cannot confirm that the Stanfield emails have in fact been produced.
- 5. Despite admissions that the schedule of accounting for ICFA payments existed, Global did not disclose the schedule until October 31 (not October 30), after Arizona Water Company filed its second motion to compel and long after ALJ Nodes ordered Global to produce the accounting.
- 6. After weeks of promising that the emails would be made available, Global finally produced them on October 19 and 23, after Arizona Water Company threatened to file a second motion to compel and then Global produced them in an altered format which made them much more difficult and time consuming to review. The previously produced paper files in PDF format were not electronic data, they were paper files.
- 7. Following Arizona Water Company's first motion to compel and ALJ Nodes' order of August 14, Global provided only an oral description of its ownership and equity interest in response to data requests served 13 months ago. Global finally produced a written response on October 31 after Arizona Water Company filed a second motion to compel.
- 8. Arizona Water Company requested access to capital transaction records in its data requests served in October 2006. During visits to Global's offices, Arizona Water Company's representatives again sought such records, but the 2004 records were not made available. Arizona Water Company is arranging another visit to Global's offices to review those 2004 records, which

we understand have now been made available. We disagree with the statements in your November 2, 2007 letter concerning "reciprocal" discovery of accounting and financial discovery from Arizona Water Company. Arizona Water Company strongly believes that it has provided all the financial and accounting information which Global requested and Judge Nodes ordered produced. Wide-ranging discovery of Arizona Water Company's financial and accounting records would not be relevant to the matters raised in the Formal Complaint (which concerns Global's conduct) and Judge Nodes has not ordered such "reciprocal" discovery.

- 9. Global finally stated orally in the last few days that it did not have any documentation related to the costs of infrastructure sought in AWC 1.103 and 1.104. We request that Global provide a supplemental response to the data requests stating that fact in writing.
- 10. Arizona Water Company requested copies of any and all inter-company agreements amongst the Global affiliates, such as the agreements referenced in Global's audited financial statements. Global has contended that such agreements "have not been finalized" despite references to them in the audited financials. We will move forward with hearing preparation based on the fact that these agreements do not exist.
- 11. & 12. Arizona Water Company requested copies of notes receivable amongst the Global affiliates, such as the notes referenced in Global's audited financial statements. Global has contended that such notes receivable "have not been finalized" despite references to them in the audited financials. Again, we will rely on the answer provided that such notes do not exist.
- 13. Our review of the minute books of Global's C corporations took place on November 2, 2007, a week after we requested such a review. We requested copies of a number of documents at that time and await their production by Global.
- 14. While Arizona Water Company takes issue with some of Global's objections, we acknowledge that Global provided responses to Arizona Water Company's Fifth Set of Data Requests late in the day on October 30, 2007.
- 15. Arizona Water Company repeats its request that Global produce quarterly financial statements for 2007 for Global and its affiliates. Arizona Water Company agrees that it will produce analogous 2007 quarterly financial statements for Arizona Water Company and its affiliates.

We agree with the assertion in your letter that "discovery motions should be a last resort." However, as is clear from review of the details set forth above, Global only began to make responsive documents and information available after Arizona Water Company filed its first motion to compel and Judge Nodes ordered Global to produce the relevant materials at the August 14 procedural conference. Moreover, Global only produced crucial materials – such as relevant emails and missing ICFAs – after Arizona Water Company threatened and then filed a second motion to compel.

Finally, Arizona Water Company has in fact complied with all of its discovery obligations.

- Global 1.55 requested that Arizona Water Company identify its sources of equity and Arizona Water Company did so in its response served October 11, 2006. Moreover, on the same day, Arizona Water Company provided a schedule showing all shareholder provided equity in response to Global 1.56. We are also confused by your reference to Global 1.71, which requested a list of intercompany transactions and charges between Arizona Water Company and its affiliates. Arizona Water Company provided a response to that request on September 20, 2007. See AWC/GLOBAL000001.
- As noted above, we disagree with your contention that Judge Nodes ordered a reciprocal "on-site inspection of the accounting and financial records of AWC and its affiliates." Judge Nodes did not order any such thing, because it would not be relevant to the matters at issue in the Formal Complaint, and was not called for in any data request by Global in any event. Arizona Water Company has provided its financial statements. See AWC/GLOBAL000002-73.
- Finally we understand from our telephone conversation this afternoon that Global has agreed to an extension of time to answer a limited number of Global's Fourth Set of Data Requests, which Arizona Water Company continues to argue are overbroad, burdensome and objectionable on a number of grounds. Pending agreement on other issues, Arizona Water Company will plan to provide objections on December 7 and substantive responses on December 14, 2007.

If you have any questions, please do not hesitate to contact me.

Very troly yours,

Rodnev W. Oft

RWO/me